

Annual Report 2006

Our Mission.....

We are a professionally managed, service oriented defined contribution pension plan committed to helping our members build their retirement savings.

Our Vision.....

To be the preferred pension plan for members and employers.

Our Values.....

The Capital Pension Plan is committed to integrity and professionalism in dealing with all stakeholders through prudent leadership, innovation and open, effective communication.



Table of Contents

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Message from the Chair	2	Capital Pension Plan Board	7	Performance Goals and Objectives	12
Plan Overview	3	Governance	8	Key Risk Factors	24
Financial Highlights	4	Plan Administration	10	Strategic Business Plan	26
		Plan Capacity	11	Service Providers	28
				Comparative Benchmark Indices	29
				Management's Responsibility for Financial Reporting	30
				Financial Statements	
				Defined Contribution Funds ..	i
				Retirement Annuity Fund ...	xv
				Combined	xxvii

Message from the Chair

Our Mission.....

We are a professionally managed, service oriented defined contribution pension plan committed to helping our members build their retirement savings.



**Don Axtell, Chair
Capital Pension Plan Board**

As Chair of the Pension Board, I am pleased to present the Annual Report and audited Financial Statements for the fiscal year ending December 31, 2006.

The past year was very rewarding for the Capital Pension Plan. Solid investment performance in the Canadian, U.S. and global equity markets had a positive impact on the Plan's Diversified Fund. The Diversified Fund posted a net return of 13.64% as at December 31, 2006 (after all expenses were deducted). Capital's Pre-Retirement Fund provided a net return of 3.53% for the year.

In 2006, the Board was pleased to announce the development of the variable benefit pension option. We are excited about the opportunity to further serve our Plan membership by providing an

option to remain with the Capital Pension Plan while receiving flexible pension income during retirement. We are thrilled that we also have the opportunity to provide this option to former members of the Capital Pension Plan. Introduction of the variable benefit is anticipated in the spring of 2007.

The Capital Pension Plan Board experienced several changes during the year. With the retirement of Harvey McEwen as Board Chair at the end of 2005, I became the new Chair. Kevin Taylor resigned his Board post as he pursued a different position with his employer. Larry Sheffer also resigned his Board position as he prepares for his upcoming retirement. We thank Kevin and Larry for their service to the Plan and wish them well.

During the year, we welcomed Twyla Meredith, Ron Walter, Ken Dishaw and Edward Helm as new Board members. Our current Board provides an outstanding combination of knowledge and experience, as well as new ideas and fresh perspectives.

I wish to thank the Capital Pension Plan administration staff for their hard work and dedication to the Plan's membership throughout 2006. We remain committed to providing excellent service to our members in 2007.

Sincerely,

A handwritten signature in dark ink, appearing to read "Don Axtell". The signature is fluid and cursive.

**Don Axtell
Board Chair, Capital Pension Plan**

Plan Overview

Membership

7,000+ members

60+ participating employers

Funds

Diversified Fund

Pre-Retirement Fund

Retirement Annuity Fund (life annuitants)

Advantage

member oriented service

low management expense ratio compared to retail investments

The Capital Pension Plan was established in 1976 as a defined contribution (money purchase) pension plan.

The Plan sponsor is Crown Investments Corporation of Saskatchewan (CIC). Overall direction is provided by the Pension Board. The Plan sponsor appoints representatives to the Pension Board from the Plan's participating employers.

The Capital Pension Plan can consider the membership of any employer interested in participating in the Plan. In order to participate in the Plan, the employer must adopt the Plan by resolution of its Board of Directors.

Participating employers can determine the eligibility criteria for their employees to become contributing members of the Plan, pursuant to relevant legislative and regulatory requirements.

Both participating employers and contributing members make required contributions to the Plan. Contributing members make required contributions based on a percentage of their individual earnings. Participating employers are required to make a contribution on behalf of each of their contributing members in an amount that is at least equal to the member's required contribution, unless a higher rate of contribution has been established by resolution.

Contributing members may choose to make additional voluntary contributions to the Plan. Participating employers are not required to make contributions with respect to voluntary contributions.

All member and employer contributions made on behalf of a member are directed to an individual account in the member's name and are subject to the annual maximum contribution limit established in the *Income Tax Act (Canada)*.

At retirement, members use the cumulative value in their account to provide pension income.

Financial Highlights

Contributory Fund

Participating employers and contributing members make required contributions to the Capital Pension Plan. These contributions are deposited to the Plan's Contributory Fund. Within the Contributory Fund, the Plan operates two investment funds -- the Diversified Fund and the Pre-Retirement Fund. Investment of the assets in the Contributory Fund is delegated to professional investment managers under the supervision of the Pension Board.

The market value of the assets in the Contributory Fund at December 31, 2006 was \$896 million.

The Plan operates on a cost recovery basis. Actual expenses are deducted from the Plan's earnings prior to the allocation of investment returns to individual member's accounts. Expenses are generally allocated to the investment funds based on the market value of the Fund, although some costs are fixed and do not vary depending on the Fund's market value.

A management expense ratio (MER) is calculated for each of the Plan's investment funds for communication and comparison purposes. For 2006, the MER for the Diversified Fund was 0.36% or 36 basis points. The MER for the Pre-Retirement Fund was 0.29% or 29 basis points.

Changes in Net Assets Available for Benefits (Contributory Fund) (December 31)

(C\$, thousands)	2006	2005	2004	2003	2002
Increase in Assets					
Employer Required Contributions	12,906	12,025	11,116	10,725	10,255
Member Required Contributions	10,790	10,065	9,262	8,938	8,531
Member Voluntary Contributions	1,062	962	877	809	843
Transfers into the Fund	3,075	7,164	3,396	4,129	3,270
Investment Income	67,405	54,460	64,001	25,318	7,542
Net unrealized gain/(loss) in market value	40,150	23,248	10,857	56,186	(26,154)
Decrease in Assets					
Investment Management/Custodian fees	2,240	1,881	1,462	1,254	1,260
Salaries & Benefits	492	454	426	412	383
Other	579	513	374	390	361
Withdrawals/Transfers Out	53,760	39,517	35,068	27,848	31,013
Net Assets Available for Benefits	896,570	814,962	746,535	682,094	603,837

Administration Expenses (Contributory Fund) (December 31)

	Diversified Fund (000)		Pre-Retirement Fund (000)		Total (000)	
	2006	2005	2006	2005	2006	2005
Investment Management Fees	\$2,130	\$1,774	\$5	\$5	\$2,135	\$1,779
Custodial Service Fees	\$102	\$99	\$3	\$3	\$105	\$102
Investment Performance & Consultant Fees	\$81	\$79	\$1	\$1	\$82	\$80
Auditor's Fees	\$17	\$16	\$2	\$2	\$19	\$18
General Administration	\$962	\$858	\$8	\$11	\$970	\$869
Total	\$3,292	\$2,826	\$19	\$22	\$3,311	\$2,848

There was an increase in investment management fees, resulting from the increase in assets under management. There was also an increase in general administration expenses due to

costs for the new pension administration system being amortized for the full year. Even in light of these increases, the MER remains significantly lower than comparable retail investments.

Financial Highlights

Historic Investment Performance for Diversified Fund (with comparative benchmark performance) (December 31)

	2006		2005		2004		2003		2002	
	Diversified Fund	Benchmark	Diversified Fund	Benchmark	Diversified Fund	Benchmark	Diversified Fund	Benchmark	Diversified Fund	Benchmark
Total Fund	13.64%*	12.8%	9.62%*	10.3%	10.85%*	9.7%	13.73%*	13.2%	-3.30%*	-6.0%
Canadian Equities	19.9%	17.3%	20.2%	24.1%	18.7%	14.5%	26.6%	26.7%	-0.9%	-12.4%
U.S. Equities	11.4%	15.4%	5.8%	2.3%	14.5%	2.8%	7.9%	5.3%	-25.5%	-22.9%
Non-North American Equities	29.6%	25.9%	11.1%	10.7%	8.3%	11.5%	12.8%	13.4%	-19.0%	-16.8%
Real Estate	23.1%	11.8%	25.1%	11.0%	15.8%	9.1%	9.0%	9.2%	11.6%	8.2%
Bonds	4.5%	4.1%	6.9%	6.5%	7.7%	7.1%	6.8%	6.7%	9.0%	8.7%

*Diversified Fund returns are net of all expenses.

Historic Compound Returns for Diversified Fund (with comparative market indices) (December 31)

	1 year	2 years	3 years	5 years	10 years
Diversified Fund	13.64%	11.61%	11.36%	8.72%	9.45%
S&P/TSX Index	17.3%	20.6%	18.6%	13.1%	10.0%
S & P 500 Index	15.4%	8.6%	6.6%	-0.3%	6.7%
MSCI EAFE Index	25.9%	18.0%	15.8%	7.9%	5.9%
SC UBI	4.1%	5.3%	5.9%	6.6%	6.9%
IPD Index	11.8%	15.1%	14.3%	11.9%	12.7%

Historic Investment Performance for Pre-Retirement Fund (with comparative benchmark performance) (December 31)

	2006		2005		2004		2003		2002	
	Pre-Retirement Fund	Benchmark	Pre-Retirement Fund	Benchmark	Pre-Retirement Fund	Benchmark	Pre-Retirement Fund	Benchmark	Pre-Retirement Fund	Benchmark
Total Fund	3.53%*	4.0%	2.39%*	2.6%	2.12%*	2.3%	2.81%*	2.9%	4.39%*	2.5%

*Pre-Retirement Fund returns are net of all expenses.

Financial Highlights

Compound Rates of Return and Comparative Benchmarks for Pre-Retirement Fund (December 31)

	1 year	2 years	3 years	5 years	10 years
Pre-Retirement Fund	3.53%	2.96%	2.68%	3.05%	4.47%
91-day T-bills	4.0%	3.3%	3.0%	2.9%	3.7%

The Retirement Annuity Fund

The Retirement Annuity Fund (RAF) was established to provide retirement annuities to Plan members. If a member elects to purchase an annuity from RAF,

the member's account balance is transferred from the defined contribution funds to the RAF and a pension contract is established based on current interest rates and group annuity mortality tables. The pension contract provides for guaranteed lifetime annuity

income, based on the terms of the contract. Neither a rate of return nor a management expense ratio (MER) is calculated for the Retirement Annuity Fund. Rather, the RAF is managed to ensure this annuity promise is fulfilled.

Retirement Annuity Fund Statement of Operations and Fund Equity (December 31)

(C\$, thousands)	2006	2005	2004	2003	2002
Revenue					
Investment income	2,689	2,109	1,830	1,790	1,672
Gain (loss) on sale of investments	-	(19)	1,095	(5)	(196)
Transfers from Contributory Fund upon members' retirement	1,521	2,003	1,596	2,300	1,178
Expenses					
Annuity payments	2,160	2,050	2,005	1,971	1,902
Operating expenses	147	141	57	161	118
Increase in provision for annuity benefits	462	3,094	609	1,645	286
Net increase (decrease) in fund equity, before settlement of claim	1,441	(1,192)	1,850	308	348
Settlement of claim	-	-	(8)	(1,158)	-
Provision for payment to members of the fund	(480)	(6,135)	-	-	-
Net increase(decrease) in fund equity	961	(7,327)	1,842	(850)	348
Fund equity (deficit), beginning of year	(886)	6,441	4,599	5,449	5,101
Fund equity (deficit), end of year	75	(886)	6,441	4,599	5,449

Retirement Annuity Fund Administration Expenses (December 31)

	Retirement Annuity Fund (000)	
	2006	2005
Investment Management Fees	\$38	\$35
Custodial Service Fees	\$4	\$4
Investment Performance & Consultant Fees	\$3	\$3
Actuarial Services	\$16	\$11
Auditor's Fees	\$6	\$6
General Administration	\$80	\$82
Total	\$147	\$141

Capital Pension Plan Board

Our Vision.....

*To be the preferred pension plan
for members and employers.*



*Back Row (left to right) Twyla Meredith, Edward Helm, Robert Wiebe, Ron Walter, Ken Dishaw, David Olsen, Cindy Ogilvie
Seated (left to right) Micheal McPherson, Don Axtell*

Twyla Meredith
Saskatchewan Gaming
Corporation
Committees
Audit

Ron Walter
Saskatchewan Abilities Council
Committees
Governance

Cindy Ogilvie
Crown Investments Corporation
Committees
Audit (Chair)

Edward Helm
Saskatchewan Government
Insurance
Committees
Audit

Ken Dishaw
Saskferco Products Inc.
Committees
Investment

Micheal McPherson
Saskatchewan Housing
Authorities
Committees
Governance (Chair)

Robert Wiebe
Saskatchewan Watershed
Authority
Committees
Governance

David Olsen
CEP Local 911, ISM Canada
Committees
Investment (Chair)

Don Axtell, Chair
Crown Investments Corporation

Governance



Crown Investments Corporation (CIC) is the sponsor and administrator of the Plan. CIC is responsible for the overall management, administration and operation of the Plan in accordance with applicable laws, the terms and conditions of the Plan and its governance structure and processes. CIC is responsible to hold the plan's funds in trust for the benefit of its members and any other person entitled to benefits pursuant to the Plan.

The Capital Pension and Benefits Administration division of CIC is the Plan Administrator. CIC appoints the Pension Board to act on its behalf to facilitate the operation of the Plan.

While CIC delegates responsibility for certain duties to the Pension Board, it retains the responsibility to monitor the performance of any party to whom it delegates.

The Pension Board

The Capital Pension Plan Board composition is between five and ten persons, nominated by the twelve largest participating employers in the Plan (as measured by the number of active employees who are members of the Plan). All Board members must be active members of the Capital Pension Plan.

Board members must possess characteristics and traits of integrity, accountability, informed

judgement, financial literacy, mature confidence and commitment.

Serving on the Capital Pension Plan Board is strictly voluntary. Board members are not paid. Compensation is restricted to payment or reimbursement of actual costs and reasonable expenses for attending to Board business.

The Board acquires expertise by hiring industry professionals such as a custodian, asset consultant and investment managers. Investment of the Plan's assets is delegated to professional investment managers, under the supervision of the Pension Board.

Governance

Pension Board Committees

To effectively manage Board time while ensuring issues or decisions are thoroughly researched, The Pension Board establishes committees to assist in carrying out its roles and responsibilities. Currently, the Board has appointed a Governance Committee, an Investment Committee and an Audit Committee. Each Committee comprises at least three current pension board members. The Chair of the Pension Board can serve as an ex-officio member of each Committee.

Specific terms of reference have been established for each committee and are documented in the Governance Manual. Essentially, the role of the Committees is to review and discuss information presented, ask questions, obtain clarifications and gain an understanding of the issue or decision required. As the issues and decisions are raised at the regular Board meetings, the members of the Committees facilitate informed discussions and can make recommendations regarding a course of action. The Committees have no authority to make binding decisions on behalf of the Pension Board unless the Board provides prior approval.

Plan Administrator

CIC has appointed the Executive Director of its Capital Pension & Benefits Administration (CPBA) division to act as Plan Administrator. The Plan Administrator is responsible for the overall management, administration and operation of the Plan in accordance with applicable laws and the terms and conditions of the Plan. The Plan Administrator is also responsible for holding the Plan's funds in trust for the benefit of Plan members and other parties entitled to benefits pursuant to the Plan. The Plan Administrator's decision making authority is held by the Executive Director of the Capital Pension and Benefits Administration division or delegate appointed by the Plan administrator.

The Plan Administrator has a responsibility to carry out its duties and responsibilities with honesty and in good faith in the best interest of Plan members and any other person(s) to whom a fiduciary duty is owed.

Governance Manual

The Pension Board and Plan Administrator have implemented a comprehensive Governance Manual that incorporates many long standing policies, procedures, practices and

accountabilities.

The Governance Manual includes:

- the documentation of performance goals that embody the Plan's mission, vision and values;
- documentation of roles and responsibilities for the Plan Administrator, the Pension Board and Pension Board Committees, the Investment Consultant, Investment Managers, the Custodian, the Actuary, the Participating Employers and Pension Advisory Committees;
- assessment of the Plan's key risk factors and documented methods for managing risk;
- incorporation of the Plan's Code of Conduct, Conflict of Interest and Protection of Confidential Information and Privacy policies;
- documented communication policies that support the Plan's Mission, Vision and Values; and
- documented performance measures and a 3-year strategic business plan including strategic initiatives to accomplish the performance objectives and achieve the Plan's performance goals.

An annual review procedure has been established for the Governance Manual to ensure policies, procedures and accountabilities remain current.

Plan Administration

Our Values.....

The Capital Pension Plan is committed to integrity and professionalism in dealing with all stakeholders through prudent leadership, innovation and open, effective communication.



*Back Row (left to right) Stan Jones (Director of Pensions), Ken Klein (Executive Director), Brad Hunt (Manager, Accounting and Administration)
Seated (left to right) Cheryl Viala (Manager, Communication, Research & Development), Arlene Stinson (Senior Pension Clerk), Laura Frohlick
(Senior Pension Clerk), Pat Hunter (Executive Secretary)*

Plan administration is the responsibility of the Capital Pension and Benefits Administration (CPBA), a division of Crown Investments Corporation of Saskatchewan.

The Plan Administrator holds a duty of care to Plan members and participating employers. The Plan Administrator acts with care, diligence and skill that a person of ordinary prudence would exercise in dealing with the property of another person. Each employee of the Plan Administrator is required to adhere to the principles and standards that are set out in the Plan's Code of Conduct, Conflict of Interest and Protection of Confidential Information and Privacy policies.

The Plan Administrator makes application for the registration of the Plan and any Plan amendments. The Plan Administrator is also responsible for ensuring the Plan's administrative procedures and regulations are in compliance with applicable laws and terms of the Plan.

The Plan Administrator provides assistance to the Pension Board as required and makes recommendations concerning the Plan's annual budget. The Plan Administrator handles the day-to-day administration of the Plan, including:

- calculating the Plan's unit values and returns.
- maintenance of member data

records, including enrollments, terminations, retirements, address changes, beneficiary changes, marital status changes, etc.;

- directing the investment of individual member accounts in accordance with instructions received;
- responding to inquiries from the Plan sponsor, the Pension Board, participating employers, Plan members or any other party involved in the operation of the Plan;
- performing duties as outlined in the Plan's communication policy;
- ensuring compliance with applicable legislative and regulatory guidelines and best practices.

Plan Capacity

The Capital Pension Plan experienced modest annual membership growth in the past several years and has made initiatives to maintain capacity to handle growth. The implementation of the new pension administration system reinforces the Plan's capacity by enhancing administrative flexibility and attractiveness to potential employers as well as streamlining processes to meet members' needs.

To help the Plan sustain adequate value to enact its investment policy and maintain relatively low MERs, the Capital Pension Plan:

- provides active, contributing members with the option to make additional voluntary contributions to the Plan through payroll deduction, subject to CRA contribution limits (participating employers must also agree to deduct and remit on behalf of the employee);
- provides all vested Plan members with the option to leave their equity in the Plan, even if they have terminated their employment with a participating employer;
- provides all members (active and inactive) with the option to transfer existing RRSPs into their account with the Plan.

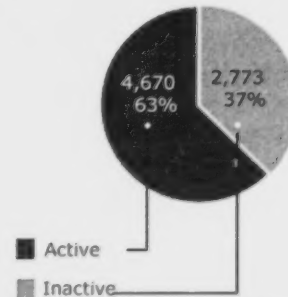
Further steps may be required to ensure sustained value in the Plan's contributory funds as the Plan's membership ages. In late

2005, federal regulatory changes were enacted to permit defined contribution pension plans to provide pension income to current and former Plan members through a retirement income option known as a variable benefit. In May 2006, Saskatchewan pension legislation changes were also enacted. Once the required legislative changes were complete, the Capital Pension Plan investigated the feasibility of developing and administering a variable benefit option. The decision to proceed with the variable benefit option was made in June 2006. Development of the variable benefit proceeded throughout the remainder of 2006. It is anticipated that the variable benefit option will be available to Plan members in the spring of 2007.

Membership Demographics

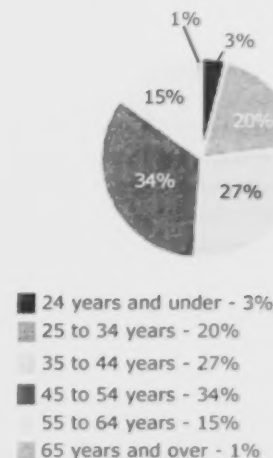
The demographics of the Plan's membership remains relatively young. As such, the investment policy of the Plan's main investment fund takes this into account, and contains a bias towards equity investments. Membership demographics are monitored annually to ensure the Plan's investment policy remains appropriate.

Plan Membership
Contributory Fund
(December 31, 2006)



Note: There are 383 annuitants in the Retirement Annuity Fund.

Plan Demographics
Contributory Fund
(December 31, 2006)



Performance Goals and Objectives

Performance Goals

Goal 1: Strong Financial Performance

Goal 2: Effective Communication

Goal 3: Accountability

Goal 4: Quality Service to Members and Employers

The purpose of the Capital Pension Plan is to provide eligible employees of participating employers with a tax-effective means to accrue savings for retirement within the context of their total compensation and competitive human resource practices.

The purpose of the Plan is also to assist Plan members in making financial provision for their retirement by offering cost-effective and efficient administration and timely, clear communications.

The Pension Board has established four performance goals to fulfill the Plan's purpose. For each goal, the Board has established several performance objectives along with benchmark performance

expectations to measure progress towards the attainment of the goals.

Goal 1: Strong Financial Performance

The Capital Pension Plan is a defined contribution plan whereby the Plan's members bear the investment risk. Financial performance has a direct impact on the Plan's ability to fulfill its purpose as investment performance has a direct impact on members' ability to build their retirement savings, pursuant to the Plan's mission and helps the Plan achieve its vision.

The Contributory Fund

Contributions are received on behalf of Plan members and

deposited into the Contributory Fund. Investment of these assets in the Contributory Fund is delegated to professional investment managers under the supervision of the Pension Board. To meet members' investment needs, the Capital Pension Plan operates two investment funds within the Contributory Fund.

The Board monitors the performance of the Diversified Fund and the Pre-Retirement Fund based on the established performance objectives and comparative benchmarks.

The Diversified Fund

The Diversified Fund is the Plan's default investment fund. The investment managers are directed to achieve a satisfactory long-term

Performance Goals and Objectives

real rate of return within their mandate, consistent with acceptable risks and prudent management. To achieve this long-term goal, the Plan has adopted an asset mix with a bias towards equity investments.

Investment risk is controlled by investing in a well diversified portfolio of asset classes and managers. The Plan uses mainly active management, which provides the opportunity to outperform specific investment benchmarks. Passive management is used in a portion of the Diversified Fund's bond and U.S. equity portfolio, given the lesser ability for active managers to add value in bonds and U.S. equities.

The Diversified Fund is managed by four investment managers.

Greystone Capital Management Inc. (Greystone) actively manages a diversified portfolio including Canadian and foreign equities, Canadian bonds, real estate and short-term investments. Greystone contracts Goldman Sachs and Hansberger Global Investors to manage the non-North American equities portion of the portfolio.

State Street Global Advisors (SSgA) is an index (i.e. passive) manager, responsible for a portion of the Canadian bond and U.S. equity portfolio.

Lincluden Management Limited (Lincluden) is a value style manager and is responsible for a portion of the Fund's Canadian equity portfolio.

Tweedy Browne Company LLC (Tweedy) is a value style manager, responsible for a portion of the Fund's non-North American equity portfolio.

Investment performance for the Diversified Fund is evaluated against a benchmark portfolio

consisting of specific weightings for each of the Fund's major asset classes. The return of the benchmark portfolio is calculated by multiplying the benchmark weightings by the rate of return achieved by the relevant market index. The amount by which the Fund's investment performance exceeds the benchmark reflects the value added by the investment managers.

Diversified Fund Benchmarks and Benchmark Portfolio Guidelines		
Asset Class	Weight	Market Index*
Canadian Equities	19%	S&P/TSX Index
U.S. Equities	9%	S&P 500 Index (\$C)
U.S. Equities (Large Cap)	7%	S&P 500 Index (Hedged)
U.S. Equities (Mid-Cap Synthetic)	3%	S&P 400 Index (Hedged)
non-North American Equities	19%	MSCI EAFE Index (\$C)
Real Estate	5%	IPD Index
Bonds	36%	SC Universe Bond Index
Short-term/cash	2%	91-day T-bills

*see page 29 for descriptions of market indices.

Diversified Fund Asset Mix				
Asset Class	Min.	Max.	Benchmark	Actual % Dec. 31, 2006
Canadian Equities	14%	24%	19%	19.1%
U.S. Equities	13%	25%	19%	18.8%
non-North American Equities	15%	23%	19%	18.1%
Real Estate	3%	7%	5%	5.9%
Bonds/Mortgages	26%	46%	36%	34.2%
Short-term Investments	1%	15%	2%	3.9%

Performance Goals and Objectives

The Board has established objectives to assess financial performance for the Diversified Fund. Investment performance is monitored quarterly. To assess long-term performance and account for cyclical market fluctuations, performance of the Fund and investment managers are assessed over rolling 4-year periods or longer (i.e. 10 years) as outlined in the *Statement of Investment Policies and Goals*.

Investment performance is reported to the Pension Board on an annual and a 4-year rolling basis.

The Pre-Retirement Fund

The Pension Board recognizes that members' tolerance towards investment risk may diminish as retirement approaches. To this end, the Plan provides the Pre-Retirement Fund which is designed to preserve capital in the short-term. The asset mix of the Fund consists of short-term investments (i.e. money market) solely.

Since the Fund is designed for short-term investing, it is an investment option restricted to members within five years of their earliest possible retirement date. Eligible members must actively inform Plan administration of their intent to transfer some or all of their equity and/or direct their contributions to the Pre-Retirement Fund.

Greystone Capital Management Inc. (Greystone) manages the entire portfolio of the Pre-Retirement Fund. The performance of the Fund is measured against a benchmark portfolio consisting of 91-day T-bills.

Pre-Retirement Fund Benchmark and Benchmark Portfolio Guidelines		
Asset Class	Weight	Market Index
91-day T-bills	100%	Scotia Capital 91-day T-bill Index

Pre-Retirement Fund Asset Mix				
Asset Class	Min.	Max	Benchmark	Actual Dec. 31, 2006
Short-term investments (money market)	100%	100%	100%	100%

Performance Goals and Objectives

Financial Performance Objectives and Results December 31, 2006

Diversified Fund	Annual Performance		4-year Rolling Performance		
	Return	Benchmark	Return	Benchmark	Achieved?

Objective 1 -- Earn a rate of return that exceeds the return earned by the benchmark portfolio.

Total Fund Performance	13.64%	12.8%	12.2%	11.6%	Yes
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Objective 2 -- Each Investment Manager to exceed the benchmark index return for their respective asset class.

Canadian Equities -- Combined Performance	20.0%		21.3%		Yes
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Greystone	22.2%	17.3%	22.3%	20.5%	Yes
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Lincluden	16.0%		19.2%		No
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U.S. Equities -- Combined Performance	10.9%		9.8%		Yes
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Greystone	9.8%	15.4%	8.3%	6.3%	Yes
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SSgA - Large Cap	14.5%	14.5%	n/a*	14.6%	n/a*
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SSgA -- MidCap Synthetic	9.4%	9.0%	n/a*	18.1%	n/a *
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non-North American Equities -- Combined Performance	29.6%		15.2%		Yes
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Greystone	27.3%	25.9%	14.4%	15.2%	No
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Tweedy	32.9%		n/a*		n/a*
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Bonds -- Combined Performance	4.5%		6.5%		Yes
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Greystone	4.7%	4.1%	6.6%	6.1%	Yes
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SSgA	4.2%		6.3%		Yes
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Real Estate -- Greystone	23.1%	11.8%	18.1%	12.8%	Yes
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*Note: 4-year rolling performance cannot be evaluated since the mandate began less than 4 years ago. Returns earned to date have been included in the Combined Performance.

Objective 3 -- Achieve a minimum annualized rate of return that is 3% in excess of the Consumer Price Index (CPI) over the long-term (i.e. 10 years).

	Return	Benchmark	Achieved?
--	--------	-----------	-----------

10-Year Annualized Performance	11.27%	5.0%	Yes
--------------------------------	--------	------	-----

Pre-Retirement Fund	Annual Performance		4-year Rolling Performance		
	Return	Benchmark	Return	Benchmark	Achieved?

Objective 1 -- Preserve capital in the short-term.

Yes

Objective 2 -- Earn a rate of return competitive with money-market investments.

Total Fund Performance	3.53%	4.0%	3.0%	2.9%	Yes
------------------------	-------	------	------	------	-----

Performance Goals and Objectives

The Retirement Annuity Fund

The Retirement Annuity Fund (RAF) was established to provide lifetime pension annuities to members of the Capital Pension Plan. If a member purchases a life annuity, his/her equity is transferred from the Plan's Contributory Fund to the Retirement Annuity Fund.

Assets in the Retirement Annuity Fund are used to provide annuity payments to retired members. The amount of the annuity depends on the balance in the member's account at the date of retirement, the annuity rate at the time the annuity is purchased, the type of annuity selected and the life expectancy of the member and the member's spouse, if applicable. The Fund is designed to ensure assets are available to pay the annuities promised to members.

Retirement Annuity Fund Asset Mix and Benchmarks		
Asset Class	Benchmark Index	Actual Dec. 31, 2006
Bonds	SC Universe Bond Index	77.2%
Canadian Equities	S&P/TSX Index	17.4%
non-North American Equities	MSCI EAFE Index	3.6%
Short-term investments	91-day T-bills	1.8%

The risk tolerance of the Fund is considered low. The Fund cannot tolerate loss of principal used to support pension payments. Risk is mitigated through an investment approach that utilizes high quality fixed income investments. Interest rate risk is addressed by matching estimated future cash payments with interest and principal payments from the portfolio (duration matching strategy). As such, the Fund is immunized against changes in interest rates.

Assets in excess of those required to implement the duration matching strategy are invested in a well diversified portfolio of

Canadian and foreign equities to support the long-term solvency of the Fund.

The Retirement Annuity Fund is managed by Greystone Capital Management Inc. (Greystone). The mandate of the Fund is to provide lifetime retirement benefits to annuitants and applicable survivor benefits in the event of the annuitant's death. All annuities are fully funded when purchased. The Plan must ensure that the annuities are appropriately structured and the Fund is managed to ensure the annuity promise is fulfilled. An actuarial valuation is conducted annually to ensure the Fund's objectives are achieved.

Financial Performance Objectives and Results December 31, 2006					
Retirement Annuity Fund	Annual Performance		4-year rolling Performance		Achieved?
	Return	Benchmark	Return	Benchmark	
Objective 1 -- To be immune to changes in the level of interest rates.					Yes
Objective 2 -- To provide sufficient liquidity to ensure payments to annuitants can be made when due.					Yes
Objective 3 -- To ensure long-term Fund solvency.					
Canadian equities	21.8%	17.3%	22.1%	20.5%	Yes
non-North American Equities	27.2%	25.9%	14.4%	15.2%	

Performance Goals and Objectives

Extract from the annual Actuarial Valuation Report for the Retirement Annuity Fund,
prepared by AON Consulting as at December 31, 2006.

Section 3: Actuarial Opinion and Representations

- Aon Consulting Inc. has been engaged by Capital Pension & Benefits Administration as the valuation actuary for the Retirement Annuity Fund to prepare an actuarial valuation as at December 31, 2006 for CICA Section 3461 statement reporting purposes and I confirm that the valuation performed at this date is in accordance with the requirements of Section 3461.
- I confirm that I am a Fellow in good standing with the Canadian Institute of Actuaries (CIA).
- I confirm that I have no interest or relationship with the plan or the plan's sponsor that would impair the objectivity of the work prepared in respect of this engagement.
- The plan is a defined benefit plan as defined by Section 3461 of the CICA Handbook.
- I confirm that the December 31, 2006 actuarial valuation has been performed in accordance with the standards of the Canadian Institute of Actuaries.
- I confirm that the December 31, 2006 actuarial valuation has been performed using a discount rate assumption determined in accordance with Section 3461 and all other assumptions in accordance with management's best estimate as described in Appendix C. A statement of my opinion on these assumptions in accordance with CIA standards is contained above under *Actuarial Opinion*. The actuarial assumptions were developed based on input from Aon.
- In preparing the December 31, 2006 actuarial valuation, I have adopted a materiality guideline that is no greater than \$150,000.
- I have performed procedures to satisfy myself of the accuracy and completeness of the source data in light of the specified level of materiality.
- I have relied upon Capital Pension & Benefits Administration to advise me of any plan changes and events that have occurred up to the date of this report. Based on discussions with them, I confirm that no subsequent events have been brought to my attention.

7
Actuarial Valuation Report for Accounting Purposes as at December 31, 2006 on the
Retirement Annuity Fund Underwritten by the Capital Pension Plan

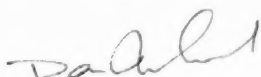
continued.....

Performance Goals and Objectives

Extract from the annual Actuarial Valuation Report for the Retirement Annuity Fund,
prepared by AON Consulting as at December 31, 2006.

Section 3: Actuarial Opinion and Representations

- I confirm that I am not aware of any events occurring subsequent to December 31, 2006 and prior to the date of this report that would have a material effect on the valuation results.



Donald L. Ireland
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

January 31, 2007

Actuarial Valuation Report for Accounting Purposes as at December 31, 2006 on the
Retirement Annuity Fund Underwritten by the Capital Pension Plan

Performance Goals and Objectives

Goal 2 -- Effective Communication

The Capital Pension Plan is committed to open, effective communication practices. The Plan produces communication material in various formats to help meet differing needs of Plan members and participating employers.

Communication with Plan members and participating employers is conducted by the administration staff of the Capital Pension and Benefits Administration. Appropriate staff from the Plan's participating employers may perform Plan communication to their employees as required. Care must be taken to ensure appropriate and accurate information is provided.

Communication Policy

In 2004, the Plan conducted comprehensive surveys of current participating employers and Plan members. The results of the surveys were utilized in the development of a documented communication policy in 2005.

The policy establishes the parameters of the Plan's communication practices that:

- support the Plan's Mission, Vision and Values;
- are in accordance with industry best practices;

- strive to meet the needs of Plan members and participating employers; and
- do not negatively impact Plan liability.

The policy outlines the guidelines for the provision of information, updates and education material to plan members and participating employers. The policy outlines guidelines regarding the preparation and distribution of specific communication materials utilized by the Plan, such as intended audience, anticipated/intended use, production guidelines, distribution guidelines and distribution frequency.

Plan Member Communication

Plan member communication initiatives are designed to inform members about the role of the Capital Pension Plan within their retirement plans, enhance member knowledge about Plan provisions and relevant legislation, promote understanding regarding retirement preparation and provide appropriate information and tools to facilitate member decisions.

Participating Employer Communication

Participating employer communication initiatives are designed to:

- enhance employer knowledge;
- inform employers of any changes regarding Plan provisions, relevant legislation or administrative practices; and
- facilitate pension-related employee administration at the local level.

Performance Goals and Objectives

Effective Communication Performance Objectives and Results December 31, 2006	
Plan Members	Achieved?
Objective 1 -- Provide an annual statement within 75 days of the end of the fiscal year.	
Results: The Capital Pension Plan has a fiscal year end of December 31st. Annual Member's Statements were mailed on January 19, 2007.	Yes
Objective 2 -- Provide "Welcome" letter and Plan Summary booklet within 30 days of receipt of Application for Enrollment.	
Results: The Capital Pension Plan has incorporated the performance standards directly into the administrative processes. New Plan enrollments are entered into the pension administration system weekly. Once the enrollment is processed, a "Welcome" letter is generated automatically. A mailing of "Welcome" letters and Plan Booklets is prepared at least once per month.	Yes
Objective 3 -- Provide ongoing information about investment performance, legislative updates and provision changes at regular intervals.	
Results: Year-to-date returns and unit values are posted to the Plan's website each week. Compound returns are calculated and posted quarterly on the Plan's website and are included in each of the three issues of the Capital Report published and mailed to each Plan member.	Yes
Active Plan members were invited to participate in pilot sessions of the new Capital Retirement Primer Information sessions. Members were also informed of the development of the Capital MemberWEB and Capital Variable Benefit during 2006, with anticipated implementation in 2007.	
Participating Employers	Achieved?
Objective 1 -- Provide ongoing information regarding legislative updates, changes to Plan provisions, operational and administrative practices prior to providing the same information to Plan members.	
Results: Four Employer Bulletins were issued throughout 2006 to ensure participating employers received required information regarding changes to federal contribution limit maximums, the introduction of the Capital Retirement Primer Information sessions and the development of the Capital MemberWEB and Capital Variable Benefit.	Yes
Objective 2 -- Provide required updates to the Employer Administration Guide for changes that impact employer administration to ensure the manual remains current.	
Results: Required updates to the Employer Administration Guide were distributed to all participating employers throughout the year. An electronic version of the entire guide is available on the Plan's website.	Yes

Performance Goals and Objectives

Goal 3 -- Accountability

Effective Plan management requires a strong focus on accountability.

The Pension Board has established several policies pertaining to accountability:

- the *Statement of Investment Policies and Goals* requires ongoing compliance reporting by investment managers;
- a *Code of Conduct* is established for the Pension Board and Plan Administration Staff;

- a *Conflict of Interest Policy* is established for the Pension Board, Plan Administration staff and service providers (where applicable);

- A *Protection of Confidential Information and Privacy Policy* is established regarding the handling of confidential information by the Plan Administrator and service providers (where applicable).

Accountability Performance Objectives and Results December 31, 2006

	Objective Achieved?
Objective 1 -- Monitor ongoing compliance with established investment policies by investment managers.	
Results: The Plan's investment managers provide compliance reports pursuant to the Plan's Statement of Investment Policies and Goals on a quarterly basis. Investment managers remained compliant with their mandate during 2006. Compliance is independently verified by third parties.	Yes
Objective 2 -- Monitor ongoing compliance with the established Code of Conduct, Conflict of Interest and Protection of Confidential Information and Privacy policies by Board members, Plan administration staff, consultants and service providers where applicable.	
Results: The guidelines established in the Code of Conduct, Conflict of Interest and Protection of Confidential Information and Privacy policies were enforced throughout 2006. Service providers and new Plan Administration staff were provided with copies of the appropriate policies and required to declare their compliance.	Yes

Goal 4 -- Quality Service to Members and Employers

The Capital Pension Plan remains committed to providing quality service to members and participating employers. A culture of "members first" is established within the Capital Pension Plan administration.

The Capital Pension Plan recognizes that the Plan is a key element to its members' overall financial security and is an important component in an employer's human resource strategies. The Pension Board recognizes the changes taking place within the workforce and the employers' need to respond to

these challenges in innovative ways. Accordingly, the Pension Board and Plan Administrator are committed to ensuring plan design and delivery provide enough choice to meet members needs and are sufficiently responsive to evolving human resource policies.

Performance Goals and Objectives

Service Performance Objectives and Results December 31, 2006	
	Achieved?
Objective 1 -- The Annual Member Statement will be distributed within 75 days of the end of the fiscal year, pursuant to guidelines in the Pension Benefits Regulations, 1993.	
Results: The Capital Pension Plan has a fiscal year end of December 31st. The Annual Member's Statement for 2006 was mailed on January 19, 2007.	Yes
Objective 2 -- The weekly unit value shall be set and posted to the Plan's website within 1 business day of receiving all necessary information.	
Results: The Capital Pension Plan administration has incorporated this performance standard directly into the administrative processes. Weekly unit values are calculated on the first working day of each week (usually Monday) once all required information is received from the custodian. Once the values are verified, the unit values are posted to the home page of the Plan's website at www.capitalpension.com . For information purposes, a year-to-date rate of return is also calculated and posted to the Plan's home page.	Yes
Objective 3 -- A statement on termination of membership will be distributed within 14 days from the date of receipt of information regarding termination of membership from the employer or a written request for information from the member. Payment of termination benefits in accordance with legislative guidelines will be processed within 14 days of receipt of all required documentation, pursuant to guidelines in the Pension Benefits Regulations, 1993	
Results: The Capital Pension Plan administration has incorporated this performance standard directly into the administrative processes. Once a Notice of Termination is received, the notice receives a date stamp and is entered into the pension administration system during that week. A statement of termination is generated by the system once the termination is processed. The statement includes the member's current balance and outlines the member's options.	Yes
If a member chooses to remove their funds from the Plan, the process is initiated when documents are received. If the documentation is incomplete, the member and/or financial institution is contacted (by telephone if possible) to provide the completed documentation. Once all required documentation is received, the payment process is initiated in the pension administration system and the payout occurs the following week.	
Objective 4 -- A statement on retirement will be provided within 30 days of the receipt of all required forms, pursuant to guidelines in the Pension Benefits Regulations, 1993.	
Results: The Capital Pension Plan administration has incorporated this performance standard directly into the administrative processes. Once a Notice of Termination (which includes retirement) is received, the notice receives a date stamp and is entered into the pension administration system during that week. A statement of termination is generated by the system once the termination is processed. The statement includes the member's current balance and outlines the member's options.	Yes
If a member chooses to access their funds through a retirement income option, the process is initiated when documents are received. If the documentation is incomplete, the member and/or financial institution is contacted (by telephone if possible) to provide the completed documentation. Once all required documentation is received, the payment process is initiated in the pension administration system and the payout occurs the following week.	

continued.....

Performance Goals and Objectives

Service Performance Objectives and Results December 31, 2006	
	Achieved?
Objective 5 -- A statement upon the death of a member will be provided within 14 days of the receipt of satisfactory proof of death. The payment of death benefits in accordance with legislative guidelines will be processed within 14 days of receipt of all required documentation pursuant to the guidelines in the Pension Benefits Regulations, 1993.	
Results: The Capital Pension Plan administration has incorporated this performance standard directly into the administrative processes. Once notification of the death of a member is received, the notice receives a date stamp and is entered into the pension administration system during that week. A statement of termination is generated by the system once the termination is processed. A letter is prepared and sent to the appropriate party (i.e. surviving spouse, beneficiary, executor).	Yes
If funds are to be accessed by a surviving spouse or beneficiary, the process is initiated when documents are received. If the documentation is incomplete, the spouse, beneficiary and/or financial institution is contacted (by telephone if possible) to provide the completed documentation. Once all required documentation is received, the payment process is initiated in the pension administration system and the payout occurs the following week.	
Objective 6 --Pension estimates will be processed within 14 days of receiving all required information.	
Results: Requests for pension estimates receive a date stamp and are processed and mailed during the week in which they are received. The Capital Pension Plan also provides access to an identical annuity calculator on its website at www.capitalpension.com . Plan members can prepare their own estimates and can compare scenarios based on changing circumstances.	Yes
Objective 7 --Marriage breakdown estimates shall be processed within 14 days of receiving all required information.	
Results: The Capital Pension Plan administration has incorporated this performance standard directly into the administrative processes. Once a request for a marriage breakdown estimate is received, it is date stamped and is processed during the week in which it is received.	Yes
Objective 8 --Portability transfer values will be calculated and provided within 14 days of receiving all required information.	
Results: The Capital Pension Plan administration has incorporated this performance standard directly into the administrative processes. Once a request for portability transfer is received, it is date stamped and is processed during the week in which it is received.	Yes
Objective 9 -- Responses to written correspondence from Plan members and participating employers will be provided within 14 days of receipt.	
Results: Written correspondence are date stamped when they are received and a reply is prepared during the week in which it is received. If the response requires additional research that may take longer than 14 days, the individual is contacted either by phone (if possible) or in writing with an initial reply and is provided with an indication as to when their complete reply could be expected.	Yes
Objective 10 --Return telephone calls and reply email inquires to Plan members and participating employers shall be provided within one business day.	
Results: Administration staff are assigned responsibility for answering telephone inquiries and replying to email inquiries.	Yes

Key Risk Factors

Within its mandate, the Pension Board and Plan Administrator assess and manage risks that would negatively impact the operation of the pension plan and the Plan's members and other stakeholders. Through its strategic planning and risk management processes, the Pension Board and Plan Administrator identify and evaluate such risks and ensure appropriate strategies are in place to manage risk. The risk management strategy includes:

- reviewing the risk management performance for the previous year and the progress made with respect to annual risk management goals;
- identifying and assessing the impact and probability of key plan risks; and
- establishing risk management strategies for the upcoming year and identifying any specific goals for the year.

The following risks and risk management strategies have been identified for the Plan.

The development of monitoring processes progressed throughout 2006 and will continue in 2007.

Key Risk Factors

Financial Risk -- inadequate performance of assets.

Risk Management Strategy

Development and implementation of the Statement of Investment Policies and Goals, including an annual review to ensure the policies remain appropriate for the Plan. *(Accomplished)*

Regular communication of investment performance through the Annual Report, Annual Member's Statements, the *Capital Report* and the Plan's website at www.capitalpension.com. *(Accomplished)*

In addition to the Pension Board and Plan Administrator, independent monitoring of investment managers by the Plan's asset consultant and custodian. *(Accomplished)*

Defining and communicating benchmarks for investment performance and assessing performance of the investment managers against these benchmarks. *(Accomplished)*

Permitting member directed investment choice by providing members who are within five years of their earliest possible retirement date with the choice between the Diversified (balanced) Fund and the Pre-Retirement (money-market) Fund. *(Accomplished)*

Service Provider Risk -- inadequate performance by service providers.

Risk Management Strategy

Annual budget setting and monitoring. *(Accomplished)*

The establishment of performance measures and benchmark indicators for the Plan administrator, investment consultant, investment managers, actuary and custodian. Assessing performance annually against the benchmark indicators *(Deferred to 2007)*

Establishing service provider selection criteria for the selection of new service providers. *(Deferred to 2007)*

Service providers are to possess disaster recovery plans in the event the service provider is unable to fulfill their contracted obligation to the Plan. *(Deferred to 2007)*

Key Risk Factors

Key Risk Factors

Compliance Risk -- failure to comply with legislative requirements or meet fiduciary obligations.

Risk Management Strategy

Independent investment monitoring to ensure compliance with legislative guidelines. *(Accomplished)*

Pension Board's periodic checklist to monitor compliance with legislative requirements. *(Accomplished)*

Established Code of Conduct and Conflict of Interest policies. *(Accomplished)*

Training and development program to educate Board members regarding their fiduciary obligations to Plan members. *(Accomplished)*

Annual strategic and business planning. *(Accomplished)*

Review and verification of a periodic checklist that identifies major items that are necessary for the administration of the Plan and ensures the tasks are performed as required. *(Deferred to 2007)*

Accessing legal advice/guidance as required regarding relevant issues. Legal counsel is retained by the Plan administrator based on advice received by the Plan Sponsor's legal counsel. *(Accomplished)*

Communication Risk -- failure of Plan members to understand the role of the pension plan in the attainment of their retirement objectives and failure to understand their individual rights and obligations.

Risk Management Strategy

Development and implementation of the Plan's communication policy that provides the framework for how the Pension Board and Plan Administrator will communicate with Plan members and participating employers. *(Accomplished)*

Retirement preparation information services including retirement information seminars, individual meeting with Plan members (by appointment) to review pension estimates and the implications of retirement choices and the provision of web based tools to assist members to develop customized pension estimates for themselves. *(Accomplished)*

The provision of readily accessible communication material at regular intervals to reinforce key messages regarding Plan member rights and obligations regarding their retirement preparation. *(Accomplished)*

Plan Design Risk -- failure to meet the needs of Plan members and/or participating employers.

Risk Management Strategy

Consult with Plan members and participating employers on a regular basis to determine needs (i.e. formal surveys, gathering feedback during information sessions, monitoring ad hoc inquiries). *(Accomplished)*

Strategic Business Plan

Strategic Business Plan		
	2006 Initiatives	Results
Communication	determine and budget for resource requirements.	<i>Accomplished</i>
	assess key information and data collected from stakeholders to determine best practices	<i>Accomplished</i>
	revise communication policy as necessary	<i>Accomplished</i>
Governance	review governance manual	<i>Accomplished</i>
	continue the development of Pension Board knowledge and skills	<i>Accomplished</i>
Accountability	plan and conduct dialogue with Plan administration staff to establish service standards and measurement for results.	<i>deferred to 2007</i>
	identify key performance indicators, research benchmarks and establish baseline data	<i>deferred to 2007</i>
	review and communicate Pension Board's strategic plan	<i>Accomplished</i> <i>discussion of expanded communication plan deferred to 2007</i>
	conduct Pension Board self assessment	<i>deferred to 2007</i>
	complete an audit of the system changes implemented for the purposes of unitization	<i>Accomplished</i>
	establish a schedule for publishing service standards and publish initial service standards	<i>deferred to 2007</i>
Value Added Services	assess implications of P-RRIFs (variable benefit), review CRA rules, determine potential interest among current Plan members for the option and possible timing of implementation	<i>Accomplished</i>
	decide strategy regarding P-RRIFs, (variable benefit) determine policy and design, develop implementation plan and budget	<i>Accomplished</i>
	identify and assess options for financing value added services	<i>Accomplished</i>
	identify and assess alternative delivery strategies, including the potential role of outside resources	<i>consideration deferred until after implementation of Variable benefit product</i>
Responsiveness	develop policy regarding additional investment choices, research best practices among other plans, assess practices relative to Mission, Vision and Values, examine alternative implementation strategies (i.e. lifecycle, discipline), conduct stakeholder consultations.	<i>deferred to 2007 after implementation of variable benefit pension income option.</i>

Strategic Business Plan

Strategic Business Plan			
	2007	2008	2009
Communication	continue to review and revise, as required, the communication policy. develop a communication strategy for the variable benefit retirement income option. determine and budget for resource requirements. gather and assess key information and data, including assessment of current methods, tools and channels, consultation with stakeholders and reviewing best practices among relevant entities. seek and obtain approval for necessary legislation regarding potential additional (member choice) investment funds.	continue to review and revise, as required, the communications policy and communications strategy. conduct the first annual assessment of progress made in implementing the revised communication policy and strategy.	continue to review and revise, as required, the communications policy.
Governance	review and update, as required, all aspects of the governance manual. continue the development of Pension Board knowledge and skills. activity check	conduct annual assessment of Plan governance program.	conduct annual assessment of Plan governance program.
Accountability	plan and conduct dialogue with the Plan administration to establish service standards and measurement of results. identify key performance indicators, including researching benchmarks and establishing baseline data. review and communicate Pension Board's strategic plan. conduct Pension Board self assessment. complete an audit of the system changes and processes implemented for the purposes of the variable benefit option. establish a schedule for publishing service standards and publish initial standards.	publish the research into key performance indicators. publish the progress made in the previous year in relation to strategic plan. act on the results of the Pension Board self assessment. review the strategic plan.	re-assess the adopted service standards and performance indicators. publish results in relation to standards, performance indicators and strategic plan. act on the results of the Pension Board self assessment. review the strategic plan.
Value Added Services	develop and adopt a comprehensive Value Added Services Plan. identify and assess options for financing value added services. identify and assess alternative delivery strategies, including the potential role of outside resources.	If approved, implement additional (member choice) investment funds. Review progress in relation to the Value Added Service Plan and make revisions as needed.	Implement additional information services. Review progress in relation to the Value Added Service Plan, and make revisions as needed.
Responsiveness	develop policy regarding additional investment choices, including researching best practices among other plans, assess practices in relation to Plan's mission, vision, values and goals, examine alternative implementation strategies (e.g. life cycle discipline), conduct stakeholder consultations.	If approved, implement the policy for additional investment choices on a phased-in basis.	Continue to implement the policy for additional investment choices.

Service Providers

Investment Managers

Diversified Fund

Greystone Capital Management Inc.
Regina, Saskatchewan

Lincluden Management Limited
Oakville, Ontario

State Street Global Advisors
Toronto Ontario

Tweedy Browne Company LLC
New York, New York

Pre-Retirement Fund

Greystone Capital Management Inc.
Regina, Saskatchewan

Retirement Annuity Fund

Greystone Capital Management Inc.
Regina, Saskatchewan

Asset Consultant

Hewitt Associates
Regina, Saskatchewan

Custodian

Royal Trust
Calgary, Alberta

Auditors

KPMG LLP
Regina, Saskatchewan

Comparative Benchmark Indices

91-day T-bills

Canadian Treasury bills represent the highest quality short-term investments available. The index is constructed by selling and repurchasing Government of Canada T-bills with an average term to maturity of 91 days.

Consumer Price Index (CPI)

The Consumer Price Index measures the relative prices at various times of a select group of goods and services which typify those purchased by urban families. It is used to gauge Canada's inflation rate.

Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE)

The MSCI EAFE Index measures the total return attributable to the largest capitalized companies on the European, Australian and Far Eastern stock exchanges.

Investment Property Databank Index (IPD Index)

The ICREIM/IPD Canadian Property Index is published by the Investment Property Databank Ltd., under contract with the Canadian Institute of Real Estate Investment Managers. The IPD Index measures total returns on a diversified pool of properties. IPD compiles property level information from pension funds, life insurance companies and real estate managers on a quarterly basis. The index contains over 1,700 properties.

Scotia Capital Markets Universe Bond Index (SC UBI)

The SC UBI measures the total return attributable to Canadian bonds and includes representatives by issuer (federal, provincial, municipal and corporate), quality (AAA, AA, A and BBB), and term (short-term, mid-term and long-term).

Standard & Poors 500 Composite Stock Index (S&P 500 Index)

The S&P 500 Index measures the total return attributable to the 500 largest capitalized companies on the U.S. stock exchanges.

S&P 500 Index (Hedged)

A hedging model constructed by Northwater Capital Management Corporation. Through the use of derivative products, the return of the index is hedged to Canadian dollars to mitigate currency risk.

S&P 400 Index (Hedged)

The S&P 400 Index consists of 400 medium-sized companies chosen for market size, liquidity and industry group representation. The index is hedged back into Canadian dollars to mitigate currency risk.

S&P/TSX Index

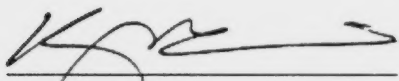
The index comprises approximately 71% of market capitalization for Canadian-based, Toronto Stock Exchange listed companies. It is calculated on a float market capitalization and is the broadest Canadian equity exchange available. The index also serves as the premier benchmark for Canadian pension funds and mutual market funds.

Management's Responsibility for Financial Reporting

The financial statements and information contained in this 2006 Annual Report have been prepared by management of the Capital Pension and Benefits Administration and have been approved by the Pension Board. Information presented in this Annual Report that relates to the operation and financial position of the Capital Pension Plan is consistent with that in the financial statements.

The Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles and are consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Financial Statements and other information presented in this Annual Report.

KPMG, the Plan's external auditor, provides independent audit for the financial statements. Its examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures that allow it to report on the fairness of presentation of the financial statements prepared by management.



K.M. Klein
Executive Director
March 21, 2007



S. Jones
Director, Pensions
March 21, 2007



Financial Statements of

**CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS**

Year ended December 31, 2006

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KPMG LLP
Chartered Accountants
2000 - 1881 Scarth Street
Regina SK S4P 4K9

Telephone (306) 791-1200
Fax (306) 757-4703
Internet www.kpmg.ca

AUDITORS' REPORT

To the Members of Capital Pension Plan – Defined Contribution Funds

We have audited the statement of net assets available for benefits of the Capital Pension Plan – Defined Contribution Plan as at December 31, 2006 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Capital Pension Plan- Defined Contribution Funds as at December 31, 2006 and changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
February 23, 2007

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CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	2006			2005
	Diversified	Pre- Retirement	Total	Total
	Fund	Fund		
	(thousands of dollars)			
Assets				
Investments at market value (Note 3)	\$ 881,115	\$ 6,483	\$ 887,598	\$ 809,759
Cash	1,327	6	1,333	2,150
Contributions receivable	492	-	492	1,109
Interest and dividends receivable	7,423	-	7,423	3,355
Capital assets (Note 5)	699	-	699	820
Total Assets	891,056	6,489	897,545	817,193
Liabilities				
Accounts payable	730	4	734	2,157
Prepaid participants' contributions	241	-	241	94
Total liabilities	971	4	975	2,251
Net assets available for benefits	\$ 890,085	\$ 6,485	\$ 896,570	\$ 814,942

(see accompanying notes)

On behalf of the Pension Plan Board of Directors:

Director *Terady, Ogilvie*

Director *[Signature]*

CAPITAL PENSION PLAN

DEFINED CONTRIBUTION FUNDS

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year ended December 31

	2006			2005
	Diversified Fund	Pre- Retirement Fund	Total	Total
	(thousands of dollars)			
Increase in Assets				
Contributions and transfers in:				
Participants' contributions	\$ 12,882	\$ 24	\$ 12,906	\$ 12,025
Members' contributions	10,772	18	10,790	10,065
Voluntary contributions	1,060	2	1,062	962
Transfers into the fund	3,075	-	3,075	7,164
Interfund transfers	(3,129)	3,129	-	-
	24,660	3,173	27,833	30,216
Investment income (Note 4)	67,148	257	67,405	54,460
Net unrealized gain in market value of investments	40,150	-	40,150	23,248
	131,958	3,430	135,388	107,924
Decrease in Assets				
Pension fund expenses:				
Investment management and custodian fees	2,232	8	2,240	1,881
Salaries and benefits	492	-	492	454
Other	568	11	579	513
	3,292	19	3,311	2,848
Withdrawals and transfers out:				
Withdrawals	38,777	3,469	42,246	33,944
Transfer to RAF (Note 6)	1,521	-	1,521	2,003
Transfers to other pension plans	6,682	-	6,682	722
	50,272	3,488	53,760	39,517
Increase (decrease) in net assets	81,686	(58)	81,628	68,407
Net assets available for benefits, beginning of year	808,399	6,543	814,942	746,535
Net assets available for benefits, end of year	\$ 890,085	\$ 6,485	\$ 896,570	\$ 814,942

(see accompanying notes)

CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

1. Description of Plan

The following description of Capital Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

- a) The Plan was established pursuant to **The Crown Corporations Act, 1978** and is continued under **The Crown Corporations Act, 1993**. The Plan is available to all corporations both in the public and private sector upon approval of the Plan's Board of Directors. The Plan is subject to **The Pension Benefits Act, 1992**.
- b) The Plan is comprised of the Diversified Fund (DF), the Pre-Retirement Fund (PRF) and the Retirement Annuity Fund (RAF). The operations of the RAF are reported separately. A combined financial statement for these three funds has also been prepared.

- i) The DF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The DF is available to all members, and members who are more than five years from their earliest retirement date must participate in this fund. The DF holds bonds, equities, real estate, pooled funds, mortgages and short term investments. The DF's mandate is to provide long term capital appreciation for members. Allocation of income is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan. For purposes of these financial statements, the Diversified Fund and the Pre-Retirement Fund are collectively called the Defined Contribution Funds (DCF).

- ii) The PRF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The PRF is available to members whose age is within five years of their earliest allowable retirement date. The PRF's portfolio is invested solely in money market investments. The PRF is intended for those members who wish to protect themselves from the volatility of the investment markets. Participation in the PRF is at the discretion of the member. Allocation of income is based on earnings realized from the investments. The total available to a member upon termination or retirement is equal to the balance in the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

- iii) The RAF was established to enable the Plan to issue retirement annuities to Plan members.
- c) Participants are responsible for the accuracy and completeness of member contributions remitted to the DF and PRF and for the employee payroll information on which benefit payments are determined. Accordingly, these financial statements presume the accuracy and completeness of the participants' contributions and payroll information received from participants.
- d) The Plan is a Registered Pension Plan as defined in the **Income Tax Act** and is not subject to income taxes.

CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered to be significant:

Valuation of investments

The DCF investments are recorded at market value determined as follows:

- a) Bonds, debentures and equities listed upon a recognized public exchange are valued at their closing sale price on the valuation date.

Bonds, debentures and equities not traded on a public exchange are valued at a price between the latest closing ask and bid prices.

Bonds, debentures and equities not traded on the valuation date are valued in the same manner as above based upon available public quotations in common use or at a price estimated to be the market value thereof.

Pooled funds are based on the quoted market price of the underlying investments.

- b) Short-term investments are valued at cost which approximates their market value.
- c) Mortgages are valued at their net present value using current market based rates of return.
- d) Real estate investments are valued at market using an independent appraisal system that considers such factors as replacement cost and earnings results.

Foreign currency translation

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the year end date. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight line basis over their estimated useful lives as follows:

Computer equipment & software	3-5 years
Office furniture	5 years

CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

2. Significant Accounting Policies (continued)

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of investments. Actual results could differ from these estimates.

3. Investments

Defined Contribution Funds investments consist of the following:

	2006	2005
	(thousands of dollars)	
Diversified Fund		
Bonds and debentures		
Government of Canada	\$ 99,189	\$ 90,936
Province of Saskatchewan	2,947	2,770
Other provincial	42,953	40,534
Municipal	1,667	733
Foreign	2,758	-
Corporate and convertible	33,252	30,801
	<u>182,766</u>	<u>165,774</u>
Pooled Funds		
Canadian fixed income fund	120,101	115,224
S&P 400 midcap index fund	28,122	25,858
S&P 500 index fund hedged	62,020	54,161
Non-North American equity fund	78,099	72,798
	<u>288,342</u>	<u>268,041</u>
Short-term investments	33,374	46,728
Equities	323,959	278,962
Mortgage	569	599
Real estate	52,105	43,755
	<u>881,115</u>	<u>803,859</u>
Pre-Retirement Fund		
Canadian money market fund	6,483	5,900
	<u>\$ 887,598</u>	<u>\$ 809,759</u>

CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

3. Investments (continued)

a) Short-term investments

These investments are comprised of treasury bills, notes and commercial paper with effective interest rates of 2.90% to 4.01% (2005 – 2.83% to 4.01%). Interest is receivable at maturity.

b) Bonds and debentures

The DCF's investment policy limits their investment concentration in any one investee or related group of investees to 10% of the fair value of their bond portfolio and to 30% for bonds and debentures issued by any one province.

Interest is generally receivable on a semi-annual basis for bonds and debentures. Interest rate risk for the Diversified Fund is shown in the following table.

	2006		2005	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Government of Canada	3.75 - 5.75%	4.00 - 4.40%	2.75 - 5.75%	2.60 - 4.10%
Province of Saskatchewan	5.00 - 6.40%	4.50 - 4.50%	5.00 - 6.40%	4.50 - 4.50%
Other provincial	4.35 - 8.75%	4.10 - 4.70%	4.44 - 8.00%	4.00 - 4.70%
Foreign	4.70 - 5.25%	4.30 - 4.90%	- -	- -
Corporate and convertible	3.93 - 8.29%	4.30 - 5.30%	3.49 - 9.00%	4.10 - 7.00%

CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

3. Investments (continued)

The principal amount is shown by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Bonds and debentures term to maturity - principal amount for the Diversified Fund:

	2006	2005
	(thousands of dollars)	
Government of Canada		
After one through five years	\$ 65,046	\$ 56,283
After five years	33,396	31,858
Province of Saskatchewan		
After five years	2,659	2,221
Other provincial		
After one through five years	4,544	5,585
After five years	36,872	30,445
Municipal		
After five years	1,674	618
Foreign		
After one through five years	663	-
After five years	2,043	-
Corporate and convertible		
Due in one year or less	40	500
After one through five years	14,926	12,893
After five years	17,534	15,908
	<u>\$ 179,397</u>	<u>\$ 156,311</u>

c) Equities

The DCF's investment policy allows no one holding to represent more than 10% of the market value of the portfolio and no one holding to represent more than 10% of the common stock in any corporation.

Included in equities is \$156,076,000 (2005 - \$126,571,000) denominated in currencies other than Canadian dollars.

CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

3. Investments (continued)

d) Pooled Funds

The Plan limits its investment in individual pooled funds to not more than 10% of the market value of the individual pooled fund. The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager.

e) Mortgage

The mortgage is secured by Canadian commercial property and has an effective and stated interest rate of 5.50% (2005 - 5.50%). Principal and interest are receivable on a monthly basis. The term to maturity is 10.67 years (2005 - 11.67 years).

f) Real estate

Investments in real estate consist of Canadian commercial property.

Included in real estate is an investment of \$3,082,000 (2005 - \$2,417,000) in SaskPen Properties Ltd. SaskPen Properties Ltd. is a real estate corporation beneficially owned by Crown managed pension funds in the Province of Saskatchewan.

4. Investment Income

	2006	2005
	(thousands of dollars)	
Diversified Fund		
Bonds and debentures interest	\$ 15,962	\$ 7,118
Interest on short-term investments	1,478	1,107
Interest on mortgages	26	27
Dividends	11,108	6,110
Income from real estate	1,944	2,205
Gain on sale of bonds and debentures	86	4,333
Gain on sale of equities	34,255	30,543
Gain on sale of real estate	2,289	2,831
	67,148	54,274
Pre-Retirement Fund		
Interest on short-term investments	257	186
	\$ 67,405	\$ 54,460

CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

5. Capital Assets

Capital assets at cost less accumulated amortization:

	Cost	Accumulated Amortization	2006 Net Book Value	2005 Net Book Value
		(thousands of dollars)		
Computer equipment & software	\$ 1,052	\$ 358	\$ 694	\$ 816
Office furniture	28	23	5	4
	<u>\$ 1,080</u>	<u>\$ 381</u>	<u>\$ 699</u>	<u>\$ 820</u>

6. Transfer to RAF

As indicated in note 1(b), members may purchase annuities from the RAF upon retirement. During 2006, members transferred \$1,521,000 (2005 - \$2,003,000) from the DCF to the RAF for purposes of purchasing retirement annuities.

7. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Funds by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2006		2005	
	Diversified Fund	Pre- Retirement Fund	Diversified Fund	Pre- Retirement Fund
		(thousands of dollars)		
Participant's contributions	\$ 7,992	\$ 8	\$ 7,042	\$ 8
Investment income	137	-	127	-
Contributions receivable	86	-	47	-
Interest and dividends receivable	47	-	44	-

Other transactions and amounts due to and from related parties are described separately in these financial statements and the notes thereto.

CAPITAL PENSION PLAN
DEFINED CONTRIBUTION FUNDS
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

8. Investment Performance

The DCF investments are managed by professional investment managers whose investment performance is measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals.

The investment objective of the DF is to provide long-term growth within acceptable limits of risk. Based on this objective, the DF is a balanced fund including investments in equities, bonds, real estate, mortgages and short term instruments.

The investment objective of the PRF is to preserve capital over the short-term. The PRF is invested solely in short-term money market instruments.

The investment managers make day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives of the Fund. The Board of Directors reviews the investment performance of the funds in terms of the performance of the benchmark portfolios over 4 year rolling periods. The primary long-term investment performance objective for each of the Funds is to outperform a benchmark portfolio.

The following is a summary of the DCF's investment performance before operating expenses:

	2006 Return		Rolling Four Year Return	
	Diversified Fund	Pre-Retirement Fund	Diversified Fund	Pre-Retirement Fund
Actual rate of return	13.6%	3.9%	12.2%	3.0%
Benchmark rate of return	12.8%	4.0%	11.6%	2.9%

9. Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities:

For the following financial instruments including:

- a) cash,
- b) short-term investments
- c) contributions receivable
- d) interest and dividends receivable; and
- e) accounts payable

the carrying amounts approximates fair value due to their immediate or short-term maturity.

For all other investments, fair values are considered to be market value, the calculation of which is detailed in note 2.



Financial Statements of

**CAPITAL PENSION PLAN
RETIREMENT ANNUITY FUND**

Year ended December 31, 2006

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AUDITORS' REPORT

To the Members of Capital Pension Plan - Retirement Annuity Fund

We have audited the statement of net assets available for benefits of the Capital Pension Plan – Retirement Annuity Fund as at December 31, 2006 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Capital Pension Plan - Retirement Annuity Fund as at December 31, 2006 and changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
February 23, 2007

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CAPITAL PENSION PLAN
RETIREMENT ANNUITY FUND
STATEMENT OF FINANCIAL POSITION

As at December 31

	2006	2005
	(thousands of dollars)	
ASSETS		
Bonds and debentures (Note 3)	\$ 27,801	\$ 26,855
Pooled equity funds (Note 4)	4,880	3,994
Short-term investments	736	698
Total invested assets	33,417	31,547
Interest and accounts receivable	326	321
Cash	35	16
	\$ 33,778	\$ 31,884
LIABILITIES AND FUND EQUITY (DEFICIT)		
Liabilities		
Accounts payable (Note 7)	\$ 6,645	\$ 6,174
Provision for annuity benefits (Note 5)	27,058	26,596
	33,703	32,770
Fund equity (deficit)	75	(886)
	\$ 33,778	\$ 31,884

(see accompanying notes)

On behalf of the Pension Plan Board of Directors:

Director

Terence Ogilvie

Director

[Signature]

CAPITAL PENSION PLAN
RETIREMENT ANNUITY FUND
STATEMENT OF OPERATIONS AND FUND EQUITY (DEFICIT)

Year ended December 31

	<u>2006</u>	<u>2005</u>
	(thousands of dollars)	
Revenue		
Investment income	\$ 2,689	\$ 2,109
Loss on sale of investments	-	(19)
Transfers from Defined Contribution Funds upon members' retirement	<u>1,521</u>	<u>2,003</u>
	<u>4,210</u>	<u>4,093</u>
Expenses		
Annuity payments	2,160	2,050
Operating expenses	147	141
Increase in provision for annuity benefits (Note 5)	<u>462</u>	<u>3,094</u>
	<u>2,769</u>	<u>5,285</u>
Net increase (decrease) in fund equity, before the undernoted	1,441	(1,192)
Provision for payment to members of the fund (Note 7)	<u>(480)</u>	<u>(6,135)</u>
Net increase (decrease) in fund equity	961	(7,327)
Fund equity, beginning of year	<u>(886)</u>	<u>6,441</u>
Fund equity (deficit), end of year	<u>\$ 75</u>	<u>\$ (886)</u>

(see accompanying notes)

CAPITAL PENSION PLAN
RETIREMENT ANNUITY FUND
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

1. Description of Plan

The following description of Capital Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

a) The Plan was established pursuant to **The Crown Corporations Act, 1978**, and continued under **The Crown Corporations Act, 1993**. The Plan is available to all corporations both in the public and private sector upon approval of the Plan's Board of Directors. The Plan is subject to **The Pension Benefits Act, 1992**.

b) The Plan is comprised of the Retirement Annuity Fund (RAF) and the Defined Contribution Funds (DCF). A combined financial statement has also been prepared.

i) The RAF was established to provide retirement annuities to members of the Plan. Members in the Plan, upon retirement, may purchase a life annuity through the RAF or through a private issuer. If the member elects to purchase from the RAF, the individual's account balance is transferred from the Defined Contribution Funds to the RAF and a pension contract is established based on current interest rates and group annuity mortality tables.

Crown Investments Corporation of Saskatchewan is the Plan sponsor for the RAF and has ultimate responsibility for any shortfalls that may occur.

ii) The DCF receive and hold, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions. The operations of the DCF are reported separately.

c) The Plan is a Registered Pension Plan and is not subject to income taxes under the **Income Tax Act**.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered to be significant:

Valuation of Investments

a) Investments in bonds and debentures are carried at amortized cost. Related premiums or discounts are amortized on a straight-line basis over the remaining term of the investment.

b) Investment in pooled equity funds are carried at cost.

c) Short-term investments are carried at cost.

d) Investments are written down when there has been a decline in value, which is other than temporary.

CAPITAL PENSION PLAN
RETIREMENT ANNUITY FUND
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

2. Significant Accounting Policies (continued)

Foreign currency translation

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the year end date. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the provision for annuity benefits and provision for payment to members of the fund. Actual results could differ from these estimates.

3. Bonds and Debentures

Bonds and debentures include the following:

	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Government of Canada	\$ 8,839	\$ 9,839	\$ 8,609	\$ 9,768
Province of Saskatchewan	2,491	3,249	2,489	3,341
Other Provincial	16,232	19,216	15,519	18,763
Corporate	239	254	238	269
	<u>\$ 27,801</u>	<u>\$ 32,558</u>	<u>\$ 26,855</u>	<u>\$ 32,141</u>

The RAF's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the fair value of its bond portfolio and to 30% for bonds and debentures issued by any one province.

CAPITAL PENSION PLAN
RETIREMENT ANNUITY FUND
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

3. Bonds and debentures (continued)

Interest rate risk is shown in the following table. Interest is generally receivable on a semi-annual basis for bonds and debentures.

	2006		2005	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Government of Canada	0.00 - 10.25%	3.97 - 4.18%	0.00 - 10.25%	3.68 - 4.09%
Province of Saskatchewan	0.00 - 10.00%	4.12 - 4.53%	0.00 - 10.00%	4.00 - 4.49%
Other provincial	0.00 - 10.13%	4.14 - 4.79%	0.00 - 10.13%	3.73 - 4.86%
Corporate and convertible	10.55 - 10.55%	5.06 - 5.06%	10.55 - 10.55%	4.28 - 4.28%

The principal amount and carrying amounts are shown below by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

	2006		2005	
	Carrying Amount	Principal Amount	Carrying Amount	Principal Amount
(thousands of dollars)				
Government of Canada				
Due in one year or less	\$ 320	\$ 335	\$ 193	\$ 200
After one through five years	2,296	2,468	1,526	1,753
After five years	6,223	6,408	6,891	7,275
Province of Saskatchewan				
After one through five years	988	972	993	972
After five years	1,503	1,552	1,495	1,552
Other Provincial				
Due in one year or less	-	-	594	592
After one through five years	159	160	158	160
After five years	16,073	18,834	14,767	17,615
Corporate				
After five years	239	250	238	250
	<u>\$ 27,801</u>	<u>\$ 30,979</u>	<u>\$ 26,855</u>	<u>\$ 30,369</u>

CAPITAL PENSION PLAN
RETIREMENT ANNUITY FUND
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

4. Pooled Equity Funds

The RAF limits its investment in a single pooled equity fund to not be more than 10% of the fair value of its investment portfolio. Foreign equities are limited to 20% of the book value of the total funds. These funds have no fixed interest rate and their returns are based on the investment performance attained by the fund manager. The market value of the pooled equity funds held are as follows:

	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Canadian equity funds	\$ 3,597	\$ 7,322	\$ 2,805	\$ 6,014
Non-North American equity funds	1,283	1,538	1,189	1,208
	<u>\$ 4,880</u>	<u>\$ 8,860</u>	<u>\$ 3,994</u>	<u>\$ 7,222</u>

5. Provision for Annuity Benefits

The provision for annuity benefits is the actuarial present value of the future expected annuity benefit obligation to pensioners as annually determined as at December 31 by AON Consulting Inc., an independent actuary. The actuarial valuation is a complex process requiring professional judgment on the part of the actuary. Measurement of this amount is uncertain, as estimates must be made of future interest rates and mortality rates. For purposes of this actuarial valuation, a discount rate of 4.70% (2005 – 4.70%) was used. Also, the 1994 mortality tables have been used. If the discount rate used increases by 1%, the provision for annuity benefits decreases by \$2,310,000 or if the discount rate used decreases by 1%, the provision for annuity benefits increases by \$2,716,000. If average mortality age increases by 1.1 years the provision for annuity benefits increases by \$1,044,000.

The annual change in the liability is reflected in the statement of operations and fund equity. The principal components of the change during the year were as follows:

	2006	2005
	(thousands of dollars)	
Provision, beginning of year	\$ 26,596	\$ 23,502
Increase in liability due to new annuitants during year	1,521	1,998
Net change in liability due to aging and gain from mortality	(25)	(83)
Expected annuity payments with interest	(2,124)	(2,048)
Interest on liabilities	1,090	1,234
Change in discount rate and mortality assumptions	-	1,993
Provision, end of year	<u>\$ 27,058</u>	<u>\$ 26,596</u>

CAPITAL PENSION PLAN
RETIREMENT ANNUITY FUND
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Plan by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2006	2005
	(thousands of dollars)	
Investment income	\$ 214	\$ 203
Interest income receivable	91	91

Other transactions and amounts due to and from related parties are described separately in these financial statements and the notes thereto.

7. Accounts payable

During the year, and based on a judgment ruling in favor of a former participant, management has accrued an additional estimated liability of \$480,000 for 2006 (2005 -- \$6,135,000) payable to other members of the fund.

8. Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities:

For the following financial instruments:

- a) cash,
- b) short-term investments,
- c) interest and accounts receivable, and
- d) accounts payable

the cost approximates the fair value due to their immediate or short-term maturity.

The fair value of bonds and debentures is estimated based on bid quotations received from security dealers for these or similar investments.

The fair value of the pooled equity funds is based on the quoted market price of the underlying equity investments, normally the current bid price.

The fair value of the provision for annuity benefit cannot be readily determined, however information about this liability is provided in Note 5.

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Combined Financial Statements of

CAPITAL PENSION PLAN

Year ended December 31, 2006

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AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the combined statement of net assets available for benefits and fund equity of the Capital Pension Plan as at December 31, 2006 and the combined statement of changes in net assets available for benefits and fund equity for the year then ended. These combined financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the net assets available for benefits of the Capital Pension Plan as at December 31, 2006 and changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
February 23, 2007

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CAPITAL PENSION PLAN

COMBINED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND FUND EQUITY (DEFICIT)

As at December 31

	2006				2005
	Diversified Fund	Pre- Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Assets					
Investments at market value (Note 4)	\$ 881,115	\$ 6,483	\$ -	\$ 887,598	\$ 809,759
Investments at cost (Note 5)	-	-	33,417	33,417	31,547
Total investments	881,115	6,483	33,417	921,015	841,306
Cash	1,327	6	35	1,368	2,166
Contributions receivable	492	-	-	492	1,109
Interest and dividends receivable	7,423	-	326	7,749	3,676
Capital assets (Note 9)	699	-	-	699	820
Total assets	891,056	6,489	33,778	931,323	849,077
Liabilities					
Accounts payable (Note 13)	730	4	6,645	7,379	8,331
Prepaid participants' contributions	241	-	-	241	94
Provision for annuity benefits (Note 10)	-	-	27,058	27,058	26,596
Total liabilities	971	4	33,703	34,678	35,021
Fund equity (deficit)	-	-	75	75	(886)
Total liabilities and fund equity	971	4	33,778	34,753	34,135
Net assets available for benefits	\$ 890,085	\$ 6,485	\$ -	\$ 896,570	\$ 814,942

(see accompanying notes)

On behalf of the Pension Plan Board of Directors:

Director

Terady Ogilvie

Director

[Signature]

CAPITAL PENSION PLAN

COMBINED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS AND FUND EQUITY (DEFICIT)

Year ended December 31

	2006					2005
	Diversified Fund	Pre- Retirement Fund	Total Defined Contribution Funds	Retirement Annuity Fund	Total	Total
	(thousands of dollars)					
Increase in Assets						
Investment income (Note 6)	\$ 67,148	\$ 257	\$ 67,405	\$ 2,689	\$ 70,094	\$ 56,550
Contributions and transfers in (Note 7)	23,139	3,173	26,312	1,521	27,833	30,216
Net unrealized change in market value of investments	40,150	-	40,150	-	40,150	23,248
	<u>130,437</u>	<u>3,430</u>	<u>133,867</u>	<u>4,210</u>	<u>138,077</u>	<u>110,014</u>
Decrease in Assets						
Withdrawals and transfers out (Note 8)	45,459	3,469	48,928	-	48,928	34,666
Annuity payments	-	-	-	2,160	2,160	2,050
Increase in provision for annuity benefits (Note 10)	-	-	-	462	462	3,094
Operating expenses	3,292	19	3,311	147	3,458	2,989
	<u>48,751</u>	<u>3,488</u>	<u>52,239</u>	<u>2,769</u>	<u>55,008</u>	<u>42,799</u>
Increase (decrease) in Net Assets before the undernoted	81,686	(58)	81,628	1,441	83,069	67,215
Provision for payment to members of the fund (Note 13)	-	-	-	(480)	(480)	(6,135)
Increase (decrease) in Net Assets	81,686	(58)	81,628	961	<u>\$ 82,589</u>	<u>\$ 61,080</u>
Fund equity, beginning of year	-	-	-	(886)		
Fund equity (deficit), end of year	-	-	-	<u>\$ 75</u>		
Net assets available for benefits, beginning of year	808,399	6,543	814,942			
Net assets available for benefits, end of year	<u>\$ 890,085</u>	<u>\$ 6,485</u>	<u>\$ 896,570</u>			

(see accompanying notes)

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2006

1. Description of Plan

The following description of Capital Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

- a) The Plan was established pursuant to **The Crown Corporations Act, 1978** and is continued under **The Crown Corporations Act, 1993**. The Plan is available to all corporations both in the public and private sector upon approval of the Plan's Board of Directors. The Plan is subject to **The Pension Benefits Act, 1992**.
- b) The Plan is comprised of the Diversified Fund (DF), the Pre-Retirement Fund (PRF) and the Retirement Annuity Fund (RAF). The DF and PRF are defined contribution funds while the RAF offers annuities to members upon retirement. The DF and the PRF are collectively called the Defined Contribution Funds (DCF).

- i) The DF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The DF is available to all members and members who are more than five years from their earliest retirement date must participate in this fund. The DF holds bonds, equities, real estate, pooled funds, mortgages and short term investments. The DF's mandate is to provide long term capital appreciation for members. Allocation of income is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

- ii) The PRF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The PRF is available to members whose age is within five years of their earliest allowable retirement date. The PRF's portfolio is invested solely in money market investments. The PRF is intended for those members who wish to protect themselves from the volatility of the investment markets. Participation in the PRF is at the discretion of the member. Allocation of income is based on earnings realized from the investments. The total available to a member upon termination or retirement is equal to the balance in the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

- iii) The RAF was established to provide retirement annuities to members of the Plan. Members in the Plan, upon retirement, may purchase a life annuity through the RAF or through a private issuer. If the member elects to purchase from the RAF, the individual's account balance is transferred from the DCF to the RAF and a pension annuity contract is established based on current interest rates and group annuity mortality tables.

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2006

1. Description of Plan (continued)

- c) Crown Investments Corporation of Saskatchewan is the sponsor for the RAF and has ultimate responsibility for any shortfalls that may occur. The DF and PRF have no responsibility to fund any shortfalls in the RAF.
- d) Participants are responsible for the accuracy and completeness of member contributions remitted to the DF and PRF and for the employee payroll information on which benefit payments are determined. Accordingly, these financial statements presume the accuracy and completeness of the participants' contributions and payroll information received from participants.
- e) The Plan is a Registered Pension Plan and is not subject to income taxes under the **Income Tax Act**.

2. Scope of Financial Statements

Separate funds exist for the DCF and the RAF but are subject to common administration. Accordingly, these combined financial statements have been prepared to reflect this common administration. For further information readers should refer to the individual statements of the DCF and the RAF.

3. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered to be significant:

Valuation of investments

- a) The DCF investments are recorded at market value determined as follows:

- i) Bonds, debentures and equities listed upon a recognized public exchange are valued at their closing sale price on the valuation date.

Bonds, debentures and equities not traded on the valuation date are valued at a price between the latest closing ask and bid prices.

Bonds, debentures and equities not listed upon any exchange are valued in the same manner as above based upon available public quotations in common use or at a price estimated to be the market value thereof.

Pooled funds are valued based on the quoted market price of the underlying investments.

- ii) Short-term investments are valued at cost which approximates their market value.
- iii) Mortgages are valued at their net present value using current market based rates of return.
- iv) Real estate investments are valued at market using an independent appraisal system that considers such factors as replacement cost and earnings results.

CAPITAL PENSION PLAN
NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2006

3. Significant Accounting Policies (continued)

b) The RAF investments are recorded as follows:

- i) Investments in bonds and debentures are carried at amortized cost. Related premiums or discounts are amortized on a straight-line basis over the remaining term of the investment.
- ii) Investments in pooled equity funds are carried at cost.
- iii) Short-term investments are carried at cost.
- iv) Investments are written down when there has been a decline in value, which is other than temporary.

Foreign currency translation

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the year end date. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight line basis over their estimated useful lives as follows:

Computer equipment & software	3-5 years
Office furniture	5 years

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of investments, the provision for annuity benefits and provision for payment to members of the fund. Actual results could differ from these estimates.

CAPITAL PENSION PLAN
NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2006

4. Defined Contribution Funds Investments

	2006	2005
	(thousands of dollars)	
Diversified Fund		
Bonds and debentures		
Government of Canada	\$ 99,189	\$ 90,936
Province of Saskatchewan	2,947	2,770
Other provincial	42,953	40,534
Municipal	1,667	733
Foreign	2,758	-
Corporate and convertible	33,252	30,801
	<u>182,766</u>	<u>165,774</u>
Pooled Funds		
Canadian fixed income fund	120,101	115,224
S&P 400 midcap index fund	28,122	25,858
S&P 500 index fund hedged	62,020	54,161
Non-North American equity fund	78,099	72,798
	<u>288,342</u>	<u>268,041</u>
Short-term investments	33,374	46,728
Equities	323,959	278,962
Mortgage	569	599
Real estate	52,105	43,755
	<u>881,115</u>	<u>803,859</u>
Pre-Retirement Fund		
Canadian money market fund	6,483	5,900
	<u>\$ 887,598</u>	<u>\$ 809,759</u>

a) Short-term investments

These investments are comprised of treasury bills, notes and commercial paper with effective interest rates of 2.90% to 4.01% (2005 – 2.83% to 4.01%). Interest is receivable at maturity.

b) Bonds and Debentures

The DCFs' investment policy limits their investment concentration in any one investee or related group of investees to 10% of the fair value of their bond portfolio and to 30% for bonds and debentures issued by any one province.

CAPITAL PENSION PLAN
NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2006

4. Defined Contribution Funds Investments (continued)

Interest is generally receivable on a semi-annual basis for bonds and debentures. Interest rate risk for the Diversified Fund is shown in the following table.

	2006		2005	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Government of Canada	2.75 - 5.75%	2.60 - 4.10%	2.75 - 5.75%	2.60 - 4.10%
Province of Saskatchewan	5.00 - 6.40%	4.50 - 4.50%	5.00 - 6.40%	4.50 - 4.50%
Other provincial	4.44 - 8.00%	4.00 - 4.70%	4.44 - 8.00%	4.00 - 4.70%
Foreign	4.70 - 5.25%	4.30 - 4.90%	- -	- -
Corporate and convertible	3.49 - 9.00%	4.10 - 7.00%	3.49 - 9.00%	4.10 - 7.00%

The principal amount is shown by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Bonds and debentures term to maturity - principal amount for the Diversified Fund:

	2006	2005
	(thousands of dollars)	
Government of Canada		
After one through five years	\$ 65,046	\$ 56,283
After five years	33,396	31,858
Province of Saskatchewan		
After five years	2,659	2,221
Other provincial		
After one through five years	4,544	5,585
After five years	36,872	30,445
Municipal		
After five years	1,674	618
Foreign		
After one through five years	663	-
After five years	2,043	-
Corporate and convertible		
Due in one year or less	40	500
After one through five years	14,926	12,893
After five years	17,534	15,908
	<u>\$ 179,397</u>	<u>\$ 156,311</u>

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2006

4. Defined Contribution Funds Investments (continued)

c) Equities

The DCFs' investment policy allows no one holding to represent more than 10% of the market value of the portfolio and no one holding to represent more than 10% of the common stock in any corporation.

Included in equities is \$156,076,000 (2005 - \$126,571,000) denominated in currencies other than Canadian dollars.

d) Pooled Funds

The Plan limits its investment in individual pooled funds to not more than 10% of the market value of the individual pooled fund. The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager.

e) Mortgage

The mortgage is secured by Canadian commercial property and has an effective and stated interest rate of 5.50% (2005 - 5.50%). Principal and interest are receivable on a monthly basis. The term to maturity is 10.67 years (2005 - 11.67 years).

f) Real estate

Investments in real estate consist of Canadian commercial property.

Included in real estate is an investment of \$3,082,000 (2005 - \$2,417,000) in SaskPen Properties Ltd. SaskPen Properties Ltd. is a real estate corporation beneficially owned by Crown managed pension funds in the Province of Saskatchewan.

CAPITAL PENSION PLAN
NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2006

5. Retirement Annuity Fund Investments

a) Retirement Annuity Fund investments consist of the following:

	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Bonds and debentures	\$ 27,801	\$ 32,558	\$ 26,855	\$ 32,141
Pooled equity funds	4,880	8,860	3,994	7,222
Short-term investments	736	736	698	698
	<u>\$ 33,417</u>	<u>\$ 42,154</u>	<u>\$ 31,547</u>	<u>\$ 40,061</u>

Bonds and debentures include the following:

	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Government of Canada	\$ 8,839	\$ 9,839	\$ 8,609	\$ 9,768
Province of Saskatchewan	2,491	3,249	2,489	3,341
Other Provincial	16,232	19,216	15,519	18,763
Corporate	239	254	238	269
	<u>\$ 27,801</u>	<u>\$ 32,558</u>	<u>\$ 26,855</u>	<u>\$ 32,141</u>

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2006

5. Retirement Annuity Fund Investments (continued)

The RAFs' investment policy limits its investment concentration in any one investee or related group of investees to 10% of the fair value of its bond portfolio and to 30% for bonds and debentures issued by any one province.

Interest rate risk is shown in the following table. Interest is generally receivable on a semi-annual basis for bonds and debentures.

	2006		2005	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Government of Canada	0.00 - 10.25%	3.97 - 4.18%	0.00 - 10.25%	3.68 - 4.09%
Province of Saskatchewan	0.00 - 10.00%	4.12 - 4.49%	0.00 - 10.00%	4.00 - 4.49%
Other provincial	0.00 - 10.13%	4.14 - 4.79%	0.00 - 10.13%	3.73 - 4.86%
Corporate and convertible	10.55 - 10.55%	5.06 - 5.06%	10.55 - 10.55%	4.28 - 4.28%

The principal amount and carrying amounts are shown below by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

	2006		2005	
	Carrying Amount	Principal Amount	Carrying Amount	Principal Amount
(thousands of dollars)				
Government of Canada				
Due in one year or less	\$ 320	\$ 335	\$ 193	\$ 200
After one through five years	2,296	2,468	1,526	1,753
After five years	6,223	6,408	6,891	7,275
Province of Saskatchewan				
After one through five years	988	972	993	972
After five years	1,503	1,552	1,495	1,552
Other Provincial				
Due in one year or less	-	-	594	592
After one through five years	159	160	158	160
After five years	16,073	18,834	14,767	17,615
Corporate				
After five years	239	250	238	250
	<u>\$ 27,801</u>	<u>\$ 30,979</u>	<u>\$ 26,855</u>	<u>\$ 30,369</u>

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2006

5. Retirement Annuity Fund Investments (continued)

b) Pooled equity funds

The RAF limits its investment in a single pooled equity fund to not be more than 10% of the fair value of its investment portfolio. Foreign equities are limited to 20% of the book value of the total funds. These funds have no fixed interest rate and their returns are based on the investment performance attained by the fund manager. The market value of the pooled equity funds held are as at December 31:

	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Canadian equity funds	\$ 3,597	\$ 7,322	\$ 2,805	\$ 6,014
Non-North American equity funds	1,283	1,538	1,189	1,208
	<u>\$ 4,880</u>	<u>\$ 8,860</u>	<u>\$ 3,994</u>	<u>\$ 7,222</u>

c) Short-term investments

At December 31, 2006, the Fund had \$736,000 (2005 - \$698,000) invested in short-term investments with an average rate of 4.30% (2005 - 3.33%).

6. Investment Income

Investment income is comprised of the following:

	2006				2005
	Diversified Fund	Pre-Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Bond and debenture interest	\$ 15,962	\$ -	\$ 1,774	\$ 17,736	\$ 8,869
Interest on short-term investments	1,478	257	29	1,764	1,310
Interest on mortgages	26	-	-	26	27
Dividends	11,108	-	886	11,994	6,451
Income from real estate	1,944	-	-	1,944	2,205
Gain on sale of bonds and debentures	86	-	-	86	4,314
Gain on sale of equities	34,255	-	-	34,255	30,543
Gain on sale of real estate	2,289	-	-	2,289	2,831
	<u>\$ 67,148</u>	<u>\$ 257</u>	<u>\$ 2,689</u>	<u>\$ 70,094</u>	<u>\$ 56,550</u>

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2006

7. Contributions and Transfers in

Contributions and transfers in are comprised of the following:

	2006				2005
	Diversified Fund	Pre-Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Participants' contributions	\$ 12,882	\$ 24	\$ -	\$ 12,906	\$ 12,025
Members' contributions	10,772	18	-	10,790	10,065
Voluntary contributions	1,060	2	-	1,062	962
Transfers into the fund	3,075	-	-	3,075	7,164
Interfund transfers	(4,650)	3,129	1,521	-	-
	<u>\$ 23,139</u>	<u>\$ 3,173</u>	<u>\$ 1,521</u>	<u>\$ 27,833</u>	<u>\$ 30,216</u>

8. Withdrawals and Transfers Out

Withdrawals and transfers out are comprised of the following:

	2006				2005
	Diversified Fund	Pre-Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Withdrawals	\$ 38,777	\$ 3,469	\$ -	\$ 42,246	\$ 33,944
Transfers to other pension plans	6,682	-	-	6,682	722
	<u>\$ 45,459</u>	<u>\$ 3,469</u>	<u>\$ -</u>	<u>\$ 48,928</u>	<u>\$ 34,666</u>

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2006

9. Capital Assets

Capital assets at cost less accumulated amortization:

	Cost	Accumulated Amortization	2006 Net Book Value	2005 Net Book Value
		(thousands of dollars)		
Computer equipment & software	\$ 1,052	\$ 358	\$ 694	\$ 816
Office furniture	28	23	5	4
	<u>\$ 1,080</u>	<u>\$ 381</u>	<u>\$ 699</u>	<u>\$ 820</u>

10. Provision for Annuity Benefits

The provision for annuity benefits is the actuarial present value of the future expected annuity benefit obligation to pensioners as annually determined as at December 31 by AON Consulting Inc., an independent actuary. The actuarial valuation is a complex process requiring professional judgment on the part of the actuary. Measurement of this amount is uncertain, as estimates must be made of future interest rates and mortality rates. For purposes of this actuarial valuation, a discount rate of 4.70% (2005 – 4.70%) was used. Also, the 1994 mortality tables have been used. If the discount rate used increases by 1%, the provision for annuity benefits decreases by \$2,310,000 or if the discount rate used decreases by 1%, the provision for annuity benefits increases by \$2,716,000. If average mortality age increases by 1.1 years the provision for annuity benefits increases by \$1,044,000.

The annual change in the liability is reflected in the statement of net assets available for benefits. The principal components of the change during the year were as follows:

	2006 (thousands of dollars)	2005 (thousands of dollars)
Provision, beginning of year	\$ 26,596	\$ 23,502
Increase in liability due to new annuitants during year	1,521	1,998
Net change in liability due to gain from mortality	(25)	(83)
Expected annuity payments with interest	(2,124)	(2,048)
Interest on liabilities	1,090	1,234
Change in discount rate and mortality assumptions	-	1,993
Provision, end of year	<u>\$ 27,058</u>	<u>\$ 26,596</u>

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2006

11. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Funds by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2006				2005
	Diversified Fund	Pre- Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Participants' contributions	\$ 7,992	\$ 8	\$ -	\$ 8,000	\$ 7,050
Investment income	137	-	214	351	330
Contributions receivable	86	-	-	86	47
Interest and dividends receivable	47	-	91	138	135

Other transactions and amounts due to and from related parties are described separately in these financial statements and the notes thereto.

12. Investment Performance

The DCF and the RAF investments are managed by professional investment managers whose investment performance is measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals.

The investment objective of the DF is to provide long-term growth within acceptable limits of risk. Based on this objective, the DF is a balanced fund including investments in equities, bonds, real estate, mortgages and short term instruments.

The investment objective of the PRF is to preserve capital over the short-term. The PRF is invested solely in short-term money market instruments.

The investment managers make day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives of the Plan. The Board of Directors reviews the investment performance of the funds in terms of the performance of the benchmark portfolios over 4 year rolling periods. The primary long-term investment performance objective for each of the Funds is to outperform a benchmark portfolio.

CAPITAL PENSION PLAN
NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2006

12. Investment Performance (continued)

The following is a summary of the DCF's investment performance before operating expenses:

	2006 Return		Rolling Four Year Return	
	Diversified Fund	Pre- Retirement Fund	Diversified Fund	Pre- Retirement Fund
Actual rate of return	13.6%	3.9%	12.2%	3.0%
Benchmark rate of return	12.8%	4.0%	11.6%	2.9%

The investment objective of the RAF is to provide sufficient liquidity to ensure payment to annuitants when due and to ensure long-term solvency of the Fund. The Fund pursues a duration matching investment strategy that immunizes the portfolio from interest rate fluctuations. As a result, there is no benchmark return for the RAF.

13. Accounts payable

During the year, and based on a judgment ruling in favor of a former participant, management has accrued an additional estimated liability of \$480,000 for 2006 (2005 - \$6,135,000) payable to other members of the fund.

14. Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities:

For the following financial instruments:

- a) cash,
- b) short-term investments,
- c) contributions receivable,
- d) interest and dividends receivable, and
- e) accounts payable

the carrying amounts approximates fair value due to their immediate or short-term maturity.

The fair value of all other investments is considered to be market value, the determination of which is disclosed in note 4 and note 5.

The fair value of the provision for annuity benefits cannot be readily determined, however information about this liability is provided in note 10.